

SINGLE AUDIT REPORT

The Mount Sinai Hospital Year Ended December 31, 2012 With Reports of Independent Auditors

Ernst & Young LLP



Single Audit Report

Year Ended December 31, 2012

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.	4
Consolidated Statements of Operations	6
Consolidated Statements of Changes in Net Assets	8
Consolidated Statements of Cash Flows	
Notes to Consolidated Financial Statements.	10
Supplementary Information and Reports of Independent Auditors	
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	47
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with Government Auditing Standards	48
Report of Independent Auditors on Compliance for Each Major Federal Program	
and on Internal Control Over Compliance Required by OMB Circular A 133	50
Schedule of Findings and Ouestioned Costs.	53



Ernst & Young LLP 5 Times Square New York, NY 10036-6530

Tel: +1 212 773 3000 Fax: +1 212 773 6350 www.ey.com

Report of Independent Auditors

Board of Trustees The Mount Sinai Hospital

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Mount Sinai Hospital (the "Hospital"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Mount Sinai Hospital as of December 31, 2012 and 2011, and the consolidated results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Change in Presentation of the Provision for Bad Debts

As discussed in Note 1 to the accompanying consolidated financial statements, in 2012, the Hospital adopted the provisions of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which resulted in a change to the presentation of the provision for bad debts in the accompanying consolidated statements of operations effective January 1, 2011. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2013 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Ernst + Young LLP

March 29, 2013, except for the Schedule of Expenditures of Federal Awards for which the date is September 27, 2013

Consolidated Statements of Financial Position

	December 31					
		2012		2011		
	(In Thousands)					
Assets						
Current assets:						
Cash and cash equivalents	\$	354,476	\$	235,991		
Short-term investments		215,290		228,757		
Total cash and cash equivalents and short-term investments		569,766		464,748		
Patient accounts receivable, less allowances for doubtful						
accounts (2012 – \$55,881; 2011 – \$42,599)		216,597		202,020		
Professional liabilities insurance recoveries receivable		33,424		32,741		
Assets limited as to use		18,686		16,635		
Due from related organizations, net		86,839		110,570		
Inventories		25,802		20,911		
Other current assets		26,861		52,719		
Total current assets		977,975		900,344		
Marketable securities, other investments and alternative						
investments		594,146		516,160		
Assets limited as to use		52,518		113,230		
Other assets		27,426		38,892		
Deferred financing costs		8,583		9,558		
Professional liabilities insurance recoveries receivables		189,405		185,530		
Property, plant and equipment – net		553,216		477,442		
Total assets	\$	2,403,269	\$	2,241,156		

	December 31				
		2012		2011	
		(In The	ous	ands)	
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$	125,420	\$	121,063	
Accrued salaries and related liabilities		83,053		76,006	
Accrued interest payable		9,707		8,853	
Accrued construction and capital asset liabilities		7,709		6,893	
Current portion of long-term debt		37,803		19,772	
Professional liabilities		33,424		32,741	
Other current liabilities		20,763		17,437	
Total current liabilities		317,879		282,765	
Long-term debt, less current portion		388,168		427,685	
Accrued postretirement benefits		18,620		17,582	
Deferred gain on transfer of real estate		27,055		27,055	
Professional liabilities, less estimated current portion		189,405		185,530	
Other liabilities		368,851		374,095	
Total liabilities		1,309,978		1,314,712	
Commitments and contingencies					
Net assets:					
Unrestricted		932,896		763,860	
Temporarily restricted		84,127		86,710	
Permanently restricted		76,268		75,874	
Total net assets		1,093,291		926,444	
Total liabilities and net assets	\$	2,403,269	\$	2,241,156	

Consolidated Statements of Operations

	Year Ended December 31			
		2012		2011
		(In Tho	ısa	ends)
Operating revenue				
Net patient service revenue	\$	1,714,364	\$	1,628,200
Provision for bad debts		(23,719)		(10,768)
Net patient service revenue, less provision for bad debts		1,690,645		1,617,432
Investment income and net realized gains on sales				
of securities		26,922		16,086
Contributions		416		294
Other revenue		30,903		25,561
Net assets released from restrictions for operations		23,858		23,662
Total operating revenue before other items		1,772,744		1,683,035
Operating expenses				
Salaries and wages		680,619		649,748
Employee benefits		206,923		193,287
Supplies and other		697,132		661,660
Depreciation		92,981		84,028
Interest and amortization		15,987		15,076
Total operating expenses before other items		1,693,642		1,603,799
Excess of operating revenue over operating expenses				
before other items		79,102		79,236

Continued on following page.

Consolidated Statements of Operations (continued)

	Year Ended December 3 2012 2011				
		(In Thousa	sands)		
Excess of operating revenue over operating expenses					
before other items (from previous page)	\$	79,102 \$	79,236		
Other items					
Net change in unrealized gains and losses on investments					
and change in value of alternative investments		27,249	(9,635)		
Third-party reimbursement settlements		41,623	34,813		
Net change in participation in captive insurance program		8,470	6,302		
Medical residents FICA tax refund		21,916	278		
Excess of revenue over expenses		178,360	110,994		
Other changes in unrestricted net assets					
Transfers to affiliates		(16,098)	(11,138)		
Distributions from MSMC Residential Realty, LLC		60	612		
Transfers to the Icahn School of Medicine at Mount Sinai		(60)	(612)		
Net assets released from restrictions for capital					
asset acquisitions		8,014	19,822		
Change in postretirement liability to be recognized					
in future periods		(1,240)	225		
Total other changes in unrestricted net assets		(9,324)	8,909		
Net increase in unrestricted net assets	\$	169,036 \$	119,903		

See accompanying notes.

The Mount Sinai Hospital

Year Ended December 31, 2011

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2012

			T	'emporarily	Pe	rmanently				Te	emporarily	Pe	rmanently	
	Uı	nrestricted		Restricted	R	Restricted	Total	U	nrestricted	I	Restricted	R	Restricted	Total
							(In Th	ouse	ands)					
Net assets at beginning of year	\$	763,860	\$	86,710	\$	75,874	\$ 926,444	\$	643,957	\$	103,101	\$	74,421	\$ 821,479
Net increase in unrestricted net assets		169,036		_		_	169,036		119,903		_		_	119,903
Donor restricted contributions, net		_		29,289		394	29,683		_		27,093		1,453	28,546
Net assets released from restrictions for operations		_		(23,858)		_	(23,858)		_		(23,662)		_	(23,662)
Net assets released from restrictions for capital asset acquisitions		_		(8,014)		_	(8,014)		_		(19,822)		_	(19,822)
Total changes in net assets		169,036		(2,583)		394	166,847		119,903		(16,391)		1,453	104,965
Net assets at end of year	\$	932,896	\$	84,127	\$	76,268	\$ 1,093,291	\$	763,860	\$	86,710	\$	75,874	\$ 926,444

See accompanying notes.

Consolidated Statements of Cash Flows

	7	Year Ended December 31 2012 2011			
		ousa	ousands)		
Cash flows from operating activities					
Change in net assets	\$	166,847	\$	104,965	
Adjustments to reconcile change in net assets to net cash provided by					
operating activities:					
Depreciation		92,981		84,028	
Amortization of deferred financing fees, bond premium					
and discount		(739)		(777)	
Net change in unrealized gains and losses on investments					
and change in value of alternative investments		(27,249)		9,635	
Changes in:					
Patient accounts receivable		(14,577)		(15,507)	
Other operating assets		32,433		(33,206)	
Accounts payable and accrued expenses		4,357		2,830	
Accrued salaries and related liabilities		7,047		9,756	
Accrued interest payable		854		(535)	
Due from related organizations		23,731		(41,357)	
Other operating liabilities		(64)		42,466	
Net cash provided by operating activities		285,621		162,298	
Cash flows from investing activities					
Acquisitions of property, plant and equipment, net		(168,755)		(155,025)	
Increase in investments – net		(37,270)		(23,057)	
Decrease (increase) in assets limited as to use		58,661		(47,470)	
Net cash used in investing activities		(147,364)		(225,552)	
Cash flows from financing activities					
Proceeds of issuance of long-term debt		_		65,390	
Payment of financing fees		_		(2,250)	
Principal payments on long-term debt		(19,772)		(17,803)	
Net cash (used in) provided by financing activities		(19,772)		45,337	
Net increase (decrease) in cash and cash equivalents		118,485		(17,917)	
Cash and cash equivalents at beginning of year		235,991		253,908	
Cash and cash equivalents at end of year	\$	354,476	\$	235,991	

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2012

1. Organization and Summary of Significant Accounting Policies

Organization

The Mount Sinai Hospital (the "Hospital") is a tertiary care teaching hospital located in upper Manhattan with a division in Queens, New York. As a leading academic medical center, the Hospital provides a full range of ambulatory and inpatient general and specialty services to patients from the surrounding communities, across the country and around the world and operates one of the largest graduate medical education programs in the country. The Mount Sinai Diagnostic & Treatment Center ("MSDTC") consists of various outpatient diagnostic and treatment clinics that provide comprehensive primary and preventive care and specialty care to its patients. MSDTC is located on the Hospital's campus and commenced operations in 2004. The Hospital is the sole member of MSDTC. In the accompanying consolidated financial statements, the Hospital and MSDTC are referred to collectively as the Hospital.

The Hospital is closely affiliated with the Icahn School of Medicine at Mount Sinai (the "School of Medicine") and its affiliates. The School of Medicine is a separate legal entity and, along with the Hospital, shares a four block area campus on the upper east side of Manhattan.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital and MSDTC. All significant intercompany balances and transactions have been eliminated. The accompanying consolidated financial statements do not include the accounts of organizations that are related to the Hospital through common management and/or Board of Trustees, principally: the School of Medicine; the Mount Sinai Medical Center, Inc. ("Medical Center"); the Mount Sinai Auxiliary Board ("Auxiliary Board"); MSMC Realty Corporation ("Realty Corp."); MSMC Residential Realty, LLC ("MSMCRRC"); 8 East 102^{nd} Street LLC; Mount Sinai Proton Holding Company, LLC; and Mount Sinai Care, LLC.

Related Organizations

Transactions among the Hospital and the related organizations relate principally to the sharing of certain services, facilities, equipment and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. Amounts due from or to related organizations for these activities are currently receivable or payable and do not bear interest, except for amounts advanced by the Hospital to the School of Medicine for certain capital expenditures. The nature of the Hospital's transactions with various related organizations is described more fully in Note 10.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Hospital considers highly liquid financial instruments purchased with a maturity of three months or less, excluding those held in its investment portfolio and assets limited as to use, to be cash equivalents.

The Hospital has balances in financial institutions that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Patient Accounts Receivable/Allowance for Uncollectibles

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 2 for additional information relative to third-party payor programs.

Investments

A substantial portion of the Hospital's investments are pooled for management purposes with those held by related entities. Investments consist of cash and cash equivalents, U.S. government and corporate bonds, money market funds, equity securities and interests in alternative investments. Debt securities and equity securities with readily determinable values are carried at fair value based on independent published sources (quoted market prices).

Alternative investments (nontraditional, not readily marketable securities) may consist of equity, debt and derivatives both within and outside the U.S. in multi-strategy hedge funds, event-driven strategies, global investment mandates, distressed securities and private funds. Alternative investment interests generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. The investment pool's ownership structure does not provide for control over the related investees and the investment pool's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments by members of the investment pool for alternative investments aggregated approximately \$52.9 million at December 31, 2012.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Individual investment holdings within the alternative investments include non-marketable and market-traded debt and equity securities and interests in other alternative investments. The Hospital may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the pooled investment capital may be divested only at specified times. The liquidity restrictions range from several months to ten years for certain private equity investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

Alternative investments are stated in the accompanying consolidated statements of financial position based upon net asset values derived from the application of the equity method of accounting. Financial information used by the Hospital to evaluate its alternative investments is provided by the respective investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Hospital's annual financial statement reporting.

There is uncertainty in determining values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change.

Investment Income

Investment income is allocated to investment pool participants using the market-value unit method. The annual spending rate for pooled funds is approved by the Board of Trustees annually (see Note 8). Realized gains and losses from the sale of securities are computed using the average cost method.

In the absence of donor restrictions, investment income, including realized gains and losses, is reflected in the accompanying consolidated statements of operations as operating revenue, with net unrealized gains and losses and the change in value of alternative investments reported as other items. See Notes 3, 6 and 12 for additional information relative to investments.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Inventories

The Hospital values its inventories at the lower of cost or market using the FIFO (first-in, first-out) method.

Assets Limited as to Use

Assets so classified represent assets whose use is restricted or internally designated for specific purposes under terms of agreements related to the Hospital's long-term debt and internally designated for funded depreciation requirements (see Notes 3, 4, 5 and 12). These assets consist primarily of U.S. Treasury obligations held in the trustee's accounts and money market funds.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of these costs is provided using the effective interest method. See Note 5 for additional information relative to debt-related matters.

Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Annual provisions for depreciation are made based upon the straight-line method using a half-year convention over the estimated useful lives of the assets ranging from 3 to 40 years (see Note 4 for additional information relative to property, plant and equipment).

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. See Note 8 for additional information relative to temporarily and permanently restricted net assets.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give cash and other assets (pledges), are reported at fair value on the date received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected in temporarily restricted net assets and net assets released from restrictions in the accompanying consolidated financial statements.

Unconditional Promises to Give

Unconditional promises to give are recorded when the gift is made known. A receivable is established and net assets are increased by the discounted value of the promises. Irrevocable trusts are recorded at the point of notification and are recorded as temporarily or permanently restricted as determined by the trust instruments. Estates are estimated and recorded at the conclusion of probate.

The Hospital is aware of numerous unconditional promises to give and estimates the year of receipt to the extent possible. The anticipated realizable value of the receivable, net of a present value discount of approximately \$0.2 million is reported within other assets in the accompanying consolidated statements of financial position as follows (in thousands):

2013	\$ 2,956
2014	3,765
2015	2,285
2016	692
2017	274
2018 and thereafter	447
	\$ 10,419

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Performance Indicator

The consolidated statements of operations include excess of revenue over expense as the performance indicator. Changes in unrestricted net assets which are excluded from excess of revenue over expenses include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets) and change in postretirement liability to be recognized in future periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. In the accompanying consolidated financial statements, estimates principally relate to the valuation of net accounts receivable, amounts due from and to third-party payors, the net carrying value of the Hospital's interest in the captive insurance program, estimated professional liabilities and related insurance recoveries receivable and the carrying value of alternative investments. Management believes that the amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material effect on the Hospital's consolidated financial position. In 2012 and 2011, management realized revenue of approximately \$41.6 million and \$34.8 million, respectively, which was a result of settlements of prior years' third-party reimbursements and is reflected in the consolidated statements of operations as other items.

Tax Status

The Mount Sinai Hospital and MSDTC are Section 501(c)(3) organizations exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. They also are exempt from New York State and New York City income taxes.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In July 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities ("ASU No. 2011-07"). In accordance with ASU No. 2011-07, the Hospital changed the presentation of its consolidated statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue, similar to contractual allowances and discounts. Additionally, the Hospital has provided enhanced disclosures about its policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The Hospital adopted this accounting standard update as of January 1, 2012, and retrospectively applied the presentation of the provision for bad debts in the accompanying consolidated statements of operations to all periods presented. The enhanced disclosure requirements are required in the period of adoption and subsequent reporting periods (see Note 2). The Hospital's adoption of this update has no effect on the previously reported excess of revenue over expenses or on net assets.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations.

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual and formula-driven rates for the services rendered (see description of third-party payor payment programs below).

Patient service revenue for the year ended December 31, 2012, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

	Third-		Total All
	Party	Self-Pay	Payors
		in thousands	3)
Patient service revenue (net of contractual			
allowances and discounts)	\$1,699,993	\$14,371	\$1,714,364

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and the Hospital considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts totaled approximately \$55.9 million and \$42.6 million at December 31, 2012 and 2011, respectively. The allowance for doubtful accounts for self-pay patients was approximately 85.2% and 87.1% of self-pay accounts receivable as of December 31, 2012 and 2011, respectively. Overall, the total of self-pay discounts and write-offs did not change significantly in 2012. The Hospital did not experience significant changes in write-off trends and did not change its charity care policy in 2012.

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payors are billed at the hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the New York State Department of Health. Payments to hospitals for Medicaid, workers' compensation and no fault inpatient services are based on a statewide prospective payment system, without retroactive adjustments except for the capital component of the rate. Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services ("CMS"), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Hospital is reasonably assured that such amounts are realizable.

Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

Medicare Reimbursement

Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. In the accompanying consolidated financial statements, such estimates are included in other current and noncurrent assets and liabilities. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2002. Other years remain open for audit and settlement as are New York State Medicaid cost reports for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

when open years are settled and additional information is obtained. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the consolidated financial statements and believes that it is in compliance, in all material respects, with all applicable laws and regulations.

There are various proposals at the Federal and State levels, including health care reform enacted at the Federal level, that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital.

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include 19% from Medicare, 21% from Medicaid, 32% from managed care companies and 28% from commercial insurance carriers and others at December 31, 2012 (19%, 21%, 30% and 30%, respectively, in 2011).

In 2012, approximately 28% and 17% of the Hospital's net patient service revenue was from Medicare and Medicaid programs, respectively (approximately 29% and 18%, respectively, in 2011).

Uncompensated Care

As a matter of policy, the Hospital provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or provision for bad debts. The Hospital's charity care policy ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory and emergency services provided to the uninsured and under-insured patients who qualify. Patients are eligible for the charity care fee schedule if they meet certain income tests. Furthermore, as part of its charity care and financial aid policy, the Hospital obtains and uses additional financial information for uninsured or under-insured patients who have not supplied the requisite information to qualify for charity care. The additional information obtained is used by the Hospital to determine whether to qualify patients for charity care and/or financial aid in

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

accordance with the Hospital's policies. For accounting and disclosure purposes, charity care is considered to be the difference between the Hospital's customary charges and the sliding charity care fee schedule rates. Since payment of this difference is not sought, charity care allowances are not reported as revenue.

The Hospital's estimated costs for charity care were \$38.8 million for 2012 and \$31.8 million for 2011. The cost of charity includes the direct and indirect cost of providing charity care services. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received from the New York State Indigent Care Pool to offset charity services provided totaled approximately \$12.9 million and \$14.9 million for the years ended December 31, 2012 and 2011, respectively. The charity care component of the indigent care pool payments is estimated utilizing a ratio of charity care charges to total charity care and bad debt charges applied to the indigent care pool reimbursement and excludes amounts designated for teaching programs.

Additionally, patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospital's rates. Uncollected balances for these patients are categorized as bad debts. Total uncompensated care as a result of bad debts for all patient services approximated \$23.7 million in 2012 and \$10.8 million in 2011.

3. Investments and Assets Limited as to Use

Investments are maintained as follows:

December 31					
 2012		2011			
(In Thousands)					
\$ 516,739	\$	467,929			
292,697		276,988			
\$ 809,436	\$	744,917			
\$ \$	\$ 516,739 292,697	2012 (In Thousa \$ 516,739 \$			

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use (continued)

The following table summarizes the composition of the total investment pool at carrying value; the Hospital's interests in the pooled investment components are proportionate based on the ratio of its pooled investment balance to the total of the pool.

	December 31					
		2012	2011			
	(In Thousands)					
Cash and cash equivalents	\$	11,060 \$	52,225			
Fixed income:						
Corporate bonds		25,380	38,817			
U.S. government		216	224			
Equities:						
U.S. equities		58,530	50,708			
Non-U.S. equities		29,742	25,629			
Alternative investments:						
Hedge funds:						
Long only equity		59,800	37,249			
Hedged equity ^(a)		175,656	210,823			
Long/short credit ^(b)		62,807	83,570			
Multi-strategy ^(c)		135,181	100,921			
Open mandate ^(d)		242,331	206,232			
Macro ^(e)		128,287	96,443			
Real assets ^(f)		33,291	33,858			
Private investments:						
Equity ^(g)		53,249	48,371			
Credit/distressed ^(h)		123,843	73,571			
Real assets ⁽ⁱ⁾	_	27,375	24,051			
Total	\$	1,166,748 \$	1,082,692			

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use (continued)

The following table summarizes the composition of the Hospital's share of the total investment pool at carrying value:

	Dece	December 31					
	2012		2011				
	(In Th	(In Thousands)					
Cash and cash equivalents	\$ 4,898	\$	22,571				
Fixed income:							
Corporate bonds	11,241		16,776				
U.S. government	96		97				
Equities:							
U.S. equities	25,923		21,915				
Non-U.S. equities	13,172		11,077				
Alternative investments:							
Hedge funds:							
Long only equity	26,485		16,099				
Hedged equity ^(a)	77,796		91,116				
Long/short credit ^(b)	27,816		36,118				
Multi-strategy ^(c)	59,870		43,617				
Open mandate ^(d)	107,325		89,131				
Macro ^(e)	56,817		41,682				
Real assets ^(f)	14,744		14,633				
Private investments:							
Equity ^(g)	23,583		20,905				
Credit/distressed ^(h)	54,849		31,797				
Real assets ⁽ⁱ⁾	12,124		10,395				
Total	\$ 516,739	\$	467,929				

⁽a) Investments consisting primarily of publicly traded equity holdings with both long and short positions.

⁽b) Investments consisting primarily of publicly traded credit holdings with both long and short positions.

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use (continued)

- Investments with lower correlations to stock and bond markets with a balanced mix of assets and strategies. Underlying exposures primarily include publicly traded equity and credit positions in event-driven, relative value and various arbitrage strategies.
- Investments with lower correlations to stock and bond markets. Underlying exposures primarily include publicly traded equity and credit positions with a fundamental value bias. Portfolios may reflect a tilt towards equity or credit positions, involve portfolio level-hedging and hold large cash positions if value opportunities are not found.
- (e) Investments focused on global macro dislocations rather than micro driven opportunities. Holdings are both long and short in equity, fixed income, currency and futures markets.
- (f) Investments in publicly traded commodity linked exposures.
- Investments targeting buyout and growth equity opportunities that require time to reach realization.
- (h) Investments in structured credit, claims, distressed positions of either a minority or controlling interest that require time to reach realization.
- (i) Real estate and natural resources investments that require time to reach realization.

The return on pooled investments comprises the following for the years ended December 31:

		2012		2011
	(In Thousands)			nds)
Interest and dividend income	\$	2,465	\$	3,086
Net realized gains		49,184		30,858
Change in net unrealized gains and losses and				
change in value of alternative investments		66,822		(34,722)
Fees and other expenses		(2,597)	ı	(2,188)
Total	\$	115,874	\$	(2,966)

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use (continued)

The Hospital was allocated a total investment return (loss) from the pool based on agreements among the pool participants and donor stipulations of approximately \$41.9 million and \$(5.6) million in 2012 and 2011, respectively.

Investment income and net realized gains on sales of securities comprise the following for the years ended December 31:

	 2012	2011
	(In Thou	sands)
Interest, dividend and other income	\$ 11,522	\$ 12,239
Net realized gain on sales of securities	15,400	3,847
	\$ 26,922	\$ 16,086

Assets Limited as to Use

Assets limited as to use consist of the following at December 31:

		2012		2011
	(In Thousands)			
Assets held under long-term debt agreements:				
Construction fund	\$	13,781	\$	59,526
Debt service fund		9,666		8,377
Debt service reserve fund		37,236		37,217
Internally designated for debt service		9,020		8,258
Funded depreciation		1,501		16,487
	\$	71,204	\$	129,865

The Medical Center has a bank letter of credit for \$1.0 million for the benefit of a captive insurance company in which the Hospital participates (see Note 6). The letter of credit is collateralized by \$1.0 million of marketable securities held by the Hospital.

Notes to Consolidated Financial Statements (continued)

4. Property, Plant and Equipment

A summary of property, plant and equipment is as follows at December 31:

	2012	2011			
	(In Thousands)				
Land and improvements	\$ 39,300	\$ 39,306			
Buildings and improvements	372,592	334,156			
Fixed equipment	481,954	465,964			
Movable equipment	580,520	498,901			
	1,474,372	1,338,327			
Less leasehold interest of the School of Medicine	68,140	68,146			
	1,406,220	1,270,181			
Less accumulated depreciation and amortization	889,650	822,744			
	516,570	447,437			
Capital projects in progress	36,640	30,005			
	\$ 553,210	\$ 477,442			

The Hospital capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. In 2012 and 2011, approximately \$6.2 million and \$6.1 million were capitalized, respectively.

In 2012 and 2011, the Hospital wrote off approximately \$26.1 million and \$37.6 million, respectively, of fully depreciated assets that were no longer in use. In 2012, fixed equipment and movable equipment were adjusted by approximately \$8.6 million and \$17.5 million, respectively. In 2011, the entire adjustment of \$37.6 million was movable equipment.

The School of Medicine has entered into a long-term lease with the Hospital relating to a portion of the Hospital-owned Annenberg Building, which is used by the School of Medicine. Accordingly, the Hospital reflects the School of Medicine's leasehold interest as a reduction of total property, plant and equipment. Under the terms of the lease, the School of Medicine makes payments for its share of the building's operating expenses.

Notes to Consolidated Financial Statements (continued)

4. Property, Plant and Equipment (continued)

At December 31, 2012 and 2011, approximately \$11.8 million is included in buildings and improvements representing amounts paid by the Hospital to the School of Medicine relating to a portion of a multipurpose building owned by the School of Medicine that is leased and used by the Hospital. Under the terms of a lease agreement relative to this space, the Hospital made payments of approximately \$5.0 million and \$5.2 million in 2012 and 2011, respectively, for its share of the operating costs.

During 2012, the School of Medicine transferred to the Hospital, and the Hospital paid for, approximately \$49.2 million in capital expenditures related to the Leon and Norma Hess Center for Science and Medicine project. The School of Medicine intends to transfer an additional \$28.2 million to the Hospital in 2013. The School of Medicine will record the Hospital's leasehold interest as a reduction in cost. The amounts transferred represent the cost of facilities to be used by the Hospital.

The Hospital entered into a lease agreement with the School of Medicine for a portion of the Center for Advanced Medicine building that is used by the Hospital. At December 31, 2012 and 2011, approximately \$4.7 million is included in the accompanying consolidated statements of operations representing amounts paid by the Hospital to the School of Medicine relating to the portion of the building used by the Hospital. In each of 2012 and 2011, under the terms of this lease, the Hospital paid the School of Medicine approximately \$2.8 million in rent, based on the operating costs of the related portion of the building.

Future minimum rental commitments under various leases with the School of Medicine are approximately \$7.6 million in 2013; \$7.4 million in 2014; \$7.2 million in 2015, \$7.0 in 2016, \$6.8 in 2017 and \$73.1 million thereafter.

Substantially all property, plant and equipment have been pledged as collateral under various debt agreements.

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt

A summary of long-term debt is as follows at December 31:

	2012		2011
	(In The	ousa	nds)
Series 2010 bonds; interest rates ranging from 1.8% to 5.0% ^(a)	\$ 327,930	\$	344,437
Series 2011A bonds; interest rates ranging from			
3.0% to 5.0% ^(b)	64,675		65,390
Accounts receivable financing ^(c)	19,763		22,313
	 412,368		432,140
Add net bond premium	13,603		15,317
Less current portion	37,803		19,772
	\$ 388,168	\$	427,685

- (a) In June 2010, the Hospital refunded and refinanced its outstanding Series 2000 bonds that had been issued through the Dormitory Authority of the State of New York (DASNY), partially at par and partially at 101%. The new bonds (Series 2010) were issued as both taxable and tax-exempt series (approximately \$28.5 million par amount of taxable bonds and approximately \$331.2 million par amount of tax-exempt bonds issued through DASNY). The bonds mature serially through July 1, 2026.
- (b) In October 2011, DASNY issued \$65.4 million of tax-exempt bonds (Series 2011A) on behalf of the Hospital. The bonds were issued to finance the Hospital's share of the costs of construction of a cancer treatment center in the Hess Center for Science and Medicine. The bonds mature serially through July 1, 2041.
- (c) The Hospital has a revolving, amortizing loan with a commercial bank that is scheduled to expire on October 21, 2013. Interest is payable at the 30-day London Interbank Offered Rate plus 0.5% (0.71% at December 31, 2012) on a quarterly basis; principal also is payable quarterly. Under the terms of the agreement, the Hospital is required to maintain certain financial ratios and was in compliance with these ratios at December 31, 2012 and 2011. The Hospital intends to refinance this loan before it expires in 2013.

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

As security for its obligations under the Series 2010 and Series 2011A, the Hospital provided a gross revenue pledge and executed a mortgage on its patient care property. Furthermore, the Hospital agreed to limitations on its ability to transfer assets, borrow additional funds, as well as other limitations. The Hospital agreed to maintain certain financial ratios, including a debt service coverage ratio, days cash-on-hand ratio and to maintain certain debt service and other reserve funds (included in assets limited as to use). The ratios are calculated semiannually. At December 31, 2012 and 2011, the Hospital was in compliance with the required financial ratios.

Principal payments on long-term debt subsequent to December 31, 2012 are as follows (in thousands):

2013	\$ 37,803
2014	18,850
2015	19,720
2016	20,635
2017	21,665

Interest paid for each of the years ended December 31, 2012 and 2011 aggregated approximately \$19.7 million and \$18.6 million, respectively. In 2012, the Hospital capitalized net interest of approximately \$1.7 million relating to construction activity in progress (\$1.8 million in 2011).

Future minimum lease payments under noncancellable operating leases, excluding leases with related parties (see Notes 4 and 10), with initial or remaining terms of one year or more at December 31, 2012 consisted of the following (in thousands):

2013	\$ 3,089
2014	746
2015	746
2016	746
Total minimum lease payments	\$ 5,327

Rental expense to unrelated parties approximated \$12.1 million in 2012 and \$13.9 million in 2011.

Notes to Consolidated Financial Statements (continued)

6. Professional Liabilities Insurance Program

Beginning in April 1977, primary coverage of professional and general liability incidents has been provided through participation in a pooled program with certain other health care facilities (principally hospitals) affiliated with the Federation of Jewish Philanthropies of New York. This occurrence basis insurance coverage participation is with captive insurance companies and commercial insurance companies. The Hospital follows the equity method of accounting for its investment in the captive insurance company associated with its medical malpractice insurance program. Additionally, in connection with the pooled insurance program, the Hospital has recognized the present value of its allocated share of a portion of the program's accumulated surplus.

In 2011, certain member hospitals of the captive insurance companies purchased the interest of another of its members under an agreement that requires payments to be made over the next three years. This resulted in a change of ownership percentage for each of the remaining members. As a result, the Hospital's equity in the captive insurance companies increased by approximately \$8.7 million and its liabilities increased by \$8.4 million. These amounts are included in other investments and other liabilities, respectively, in the accompanying consolidated statement of financial position at December 31, 2011.

The aggregate net carrying value of the Hospital's interests in the insurance program was approximately \$70.9 million and \$62.5 million at December 31, 2012 and 2011, respectively, which is included in other investments in the accompanying consolidated statements of financial position.

The Hospital, as part owner of its malpractice captive, guarantees a certain level of investment return. As a result of market losses in 2011, the Hospital and the School of Medicine are required to fund their share of market losses which totaled approximately \$17.6 million, with \$10.6 million allocated to the Hospital. The liability was to be paid over a period of four years beginning in 2012. During 2012, the Hospital paid \$4.4 million towards this liability and market gains eliminated another \$11.1 million, which reduced the liability to \$2.1 million as of December 31, 2012. This amount is included in other current and other liabilities in the accompanying consolidated statements of financial position and is to be repaid over the next three years. As of December 31, 2012 and 2011, respectively, approximately \$3.1 million and \$2.1 million of accrued interest payable remained from the 2011 and prior market losses and is included in other current liabilities in the accompanying consolidated statements of financial position.

Notes to Consolidated Financial Statements (continued)

6. Professional Liabilities Insurance Program (continued)

The undiscounted estimate of professional liabilities and the estimate for incidents that have been incurred but not reported is included in professional liabilities in the accompanying consolidated statement of financial position at the actuarially determined present value of approximately \$222.8 million (\$218.3 million at December 31, 2011) based on a discount rate of 3.0% at December 31, 2012. The Hospital has recorded related insurance recoveries receivable of approximately \$222.8 million at December 31, 2012 (\$218.3 million at December 31, 2011), in consideration of the expected insurance recoveries. The current portion of professional liabilities and the related insurance recoveries receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

The Hospital's estimates of professional liabilities are based upon complex actuarial calculations which utilize factors such as historical claims experience for the Hospital and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

7. Pension and Similar Plans and Other Postretirement Benefits

The Hospital provides pension and similar benefits to its employees through several defined benefit multiemployer union plans and tax sheltered annuity plans. Payments to the tax sheltered annuity plans are generally based on percentages of annual salaries. It is the Hospital's policy to fund accrued costs under these plans on a current basis. The Hospital's pension expense under all plans for the years ended December 31, 2012 and 2011 aggregated approximately \$49.1 million and \$44.5 million, respectively.

Additionally, the Hospital and the School of Medicine jointly offer a 457(b) plan to certain of their respective employees. Contributions, through payroll deductions, are made solely by the employees. The contributions are maintained in individual accounts held by a custodian and remain an asset and liability of the employer until the participant terminates employment. At December 31, 2012 and 2011, approximately \$4.9 million and \$4.0 million, respectively, is included in other assets and other liabilities in the accompanying consolidated statements of financial position related to the 457(b) plan.

Notes to Consolidated Financial Statements (continued)

7. Pension and Similar Plans and Other Postretirement Benefits (continued)

In addition to the Hospital's pension plans, the Hospital provides health care benefits, including prescription drug benefits and life insurance benefits to its retired employees if they reach normal retirement age while still working for the Hospital.

Prior to 2004, the Hospital-sponsored plan provided postretirement medical and life insurance benefits to full-time employees who had worked ten years and attained the age of 62 while in service with the Hospital. During 2004, the Hospital curtailed the plan to include the requirement that employees have 20 years of consecutive service, or have attained the age of 50 with ten or more years of service by January 1, 2004 to be eligible for benefits.

The postretirement plan contains cost-sharing features such as deductibles and coinsurance. The postretirement plan is unfunded and the Hospital does not sponsor any other postretirement benefit plans.

The Hospital recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its retiree benefits plan, with a corresponding adjustment to unrestricted net assets for the portion of the unfunded liability that has not been recognized as cost. The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service cost, which will be subsequently recognized as a component of net periodic pension cost through amortization.

The following tables provide a reconciliation of the changes in the postretirement plan's benefit obligation and a statement of the funded status of the plan as of December 31:

	2012		2011
	(In The	ousai	nds)
Reconciliation of the benefit obligation			
Obligation at January 1	\$ 18,967	\$	19,329
Service cost	251		213
Interest cost	823		935
Actuarial net loss	1,590		18
Benefit payments	(1,607)		(1,528)
Obligation at December 31	\$ 20,024	\$	18,967
Funded status			
Net amount recognized – current portion	\$ 1,404	\$	1,385
Net amount recognized – long-term portion	18,620		17,582
Total	\$ 20,024	\$	18,967

Notes to Consolidated Financial Statements (continued)

7. Pension and Similar Plans and Other Postretirement Benefits (continued)

Included in other changes in unrestricted net assets at December 31, are the following amounts that have not yet been recognized in postretirement cost:

	 2012	2011
	(In Thous	sands)
Postretirement benefits		
Unrecognized prior service cost	\$ (42) \$	(42)
Unrecognized actuarial (gain) loss	1,282	(183)
Total	\$ 1,240 \$	(225)

The prior service cost and actuarial loss included in unrestricted net assets at December 31 and expected to be recognized in postretirement cost in the future are as follows:

	2012	2011
	 (In Thouse	ands)
Postretirement benefits		
Unrecognized prior service (credit) cost	\$ (51) \$	(9)
Unrecognized actuarial loss	6,230	4,948
	\$ 6,179 \$	4,939

The estimated amount to be recognized in 2013 is \$442,000.

The Hospital expects to pay the following future plan benefit payments, which reflect expected future service (in thousands):

2013	\$ 1,476
2014	1,522
2015	1,547
2016	1,558
2017	1,547
2018 to 2022	7,348

Notes to Consolidated Financial Statements (continued)

7. Pension and Similar Plans and Other Postretirement Benefits (continued)

The following table provides the components of the net periodic benefit cost for the plan for the years ended December 31:

	 2012		2011
	(In Thousands)		
Service cost	\$ 251	\$	213
Interest cost on projected benefit obligation	823		935
Net amortization	351		244
Total net periodic benefit cost	\$ 1,425	\$	1,392

The weighted-average discount rate used in the measurement of the Hospital's benefit obligation was 3.75% and 4.40% for 2012 and 2011, respectively. The weighted-average discount rate used in the measurement of net periodic benefit cost was 4.40% for 2012 and 5.33% for 2011.

For measurement purposes relative to 2012, an annual rate of increase in the per capita cost of covered health care benefits was assumed to be initially 8.3%, grading down to an ultimate rate of 5.0% in 2017. A 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2012. The measurement date is December 31.

Assumed health care cost trend rates have a significant effect on the amounts reported. A 1% change in assumed health care cost trend rates would have the following effects:

	2012				2011			
	1%		1%		1%		1%	
	Increase		D	ecrease	Increase		Decrease	
	(In Thousands)							
Effect on total of service and interest cost components of net periodic								
benefit cost	\$	12	\$	(11)	\$	13	\$	(12)
Effect on the health care component of								
the accumulated benefit obligation		294		(269)		297		(271)

Notes to Consolidated Financial Statements (continued)

8. Temporarily and Permanently Restricted Net Assets

Permanently restricted net assets represent endowments that have been restricted by donors to be maintained in perpetuity and invested by the Hospital. The Hospital follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets.

The Hospital has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donorrestricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of the Hospital; and (8) the investment and spending policies of the Hospital. The Hospital's policies provide the guidelines for setting the annual spending rate (5%) and the treatment of any investment returns in excess of the annual spending rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available, are added to the endowed fund and classified as temporarily restricted net assets, unless also appropriated for expenditure. The Hospital expends the income distributed from certain restricted assets on an annual basis in support of health care services (2012 distributions totaled approximately \$31.9 million).

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner and adhere to the established guidelines.

Notes to Consolidated Financial Statements (continued)

8. Temporarily and Permanently Restricted Net Assets (continued)

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Temporarily restricted net assets are available to support program activities as stipulated by donors. Permanently restricted net assets are restricted to investment in perpetuity with the income expendable to support program activities as stipulated by donors. Temporarily restricted net assets are restricted as follows at December 31:

		2012		2011
	(In Thousands)			nds)
Plant replacement and plant operating funds	\$	13,658	\$	16,502
Other specific purpose funds		70,469		70,208
	\$	84,127	\$	86,710

Permanently restricted net assets are restricted as follows at December 31:

	 2012		2011
	(In The	ousa	inds)
Investments to be held in perpetuity, the income from which is restricted for School of Medicine research and other purposes Investments to be held in perpetuity, the income from which is	\$ 27,137	\$	27,137
unrestricted as to use	49,131		48,737
	\$ 76,268	\$	75,874

During 2012 and 2011, temporarily restricted net assets were released from restrictions as follows:

	 2012		2011
	(In Thousands)		
Capital asset acquisitions	\$ 8,014	\$	19,822
Other specific purpose funds (various services)	23,858		23,662
	\$ 31,872	\$	43,484

Notes to Consolidated Financial Statements (continued)

9. Functional Expenses

The Hospital provides inpatient and outpatient health care and related services, including graduate medical education, to patients throughout the world. It is not practicable to separately identify the expenses relating to each of the Hospital's programs. Expenses related to its services were as follows:

	 2012	2011	
	(In Thousands)		
Health care related services	\$ · · · · · ·	\$ 1,393,906	
General and administrative	220,173	209,893	
	\$ 1,693,642	\$ 1,603,799	

10. Related Organizations

Amounts due from (to) the Hospital's related organizations consisted of the following at December 31:

	2012		2011
	(In Tho	usa	nds)
The School of Medicine, net ^(a)	\$ 82,111	\$	107,500
Realty Corp. (b)	(1,592)		(1,781)
8 East 102 nd Street LLC ^(c)	4,077		3,656
$MSMCRRC^{(d)}$	2,165		1,048
Auxiliary Board	 78		147
Total due from related organizations	\$ 86,839	\$	110,570

⁽a) Transactions charged (at cost) by the Hospital to the School of Medicine totaling approximately \$896.1 million in 2012 (\$839.3 million in 2011) include payroll and benefits charges (91%) and various other shared services (9%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to the School of Medicine. Accordingly, the Hospital recognizes the actuarially determined liability (included in accrued salaries and related liabilities) for unreported health claims on behalf of the School of Medicine. These claims are reported as expenses on the School of Medicine's financial statements.

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

Additionally, the Hospital purchases professional services from the School of Medicine for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives. The Hospital paid approximately \$163.0 million and \$142.8 million in 2012 and 2011, respectively, for these services.

At December 31, 2012 and 2011, the Hospital was owed approximately \$4.5 million and \$9.2 million, respectively, by the School of Medicine in relation to capital building projects that are under construction.

In 2012 and 2011, the Hospital transferred approximately \$60,000 and \$612,000, respectively, to the School of Medicine to support certain joint strategic programs that are expected to promote the common missions of the Hospital and the School of Medicine. This amount is included as a component of other changes in unrestricted net assets in the accompanying consolidated statements of operations.

The payable to Realty Corp. primarily relates to property, equipment and office space rental transactions as well as other administrative transactions. All of Realty Corp.'s income collected, net of expenses and reasonable estimates of anticipated liabilities, was distributed to the Hospital in 2012 and 2011 in accordance with an agreement among Realty Corp.'s members (included in investment income). Realty Corp. distributed approximately \$3.5 million in 2012 and \$3.1 million in 2011.

The Hospital has entered into a lease agreement for the rental of certain property and equipment from Realty Corp. for a term of 30 years. Rental expense in 2012 and 2011 relative to the lease agreement with Realty Corp. was approximately \$4.8 million in 2012 and \$4.9 million in 2011. Future minimum rental commitments under the lease are approximately \$4.7 million in 2013, \$4.7 million in 2014, \$4.7 million in 2015, \$4.5 million in 2016, \$4.2 in 2017 and \$56.0 million thereafter.

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

Summarized financial information for Realty Corp., in which the Hospital, School of Medicine and the Medical Center are members, at December 31 is as follows:

	 2012		2011
	(In The	ousa	nds)
Total assets	\$ 26,785	\$	27,084
Total liabilities	(33,252)		(33,551)
Net deficit	\$ (6,467)	\$	(6,467)

The School of Medicine and/or the Medical Center guarantee a significant portion of annual debt service and/or debt issued by Realty Corp.

The receivable from 8 East 102^{nd} Street LLC is related to construction that has been funded by the Hospital. These amounts are repaid periodically from the proceeds of the 8 East 102^{nd} Street LLC bond issuance.

During 2010, 8 East 102nd Street LLC was formed under the New York State Limited Liability Company Law for the sole purpose of supporting its member corporation by managing, maintaining, holding, developing, acquiring or disposing of real property for its benefit. The School of Medicine, the Medical Center and the Hospital are the members of 8 East 102nd Street Manager LLC, which is the sole member of 8 East 102nd Street LLC. The Hospital guarantees a letter of credit which supports bonds issued by 8 East 102nd Street LLC; the debt had an outstanding balance of \$143.7 million at December 31, 2012 and 2011.

Summarized financial information for 8 East 102nd Street LLC at December 31 is as follows:

	 2012	2011	
	(In Thousands)		
Total assets	\$ 145,819	\$ 147,629	
Total liabilities	(149,070)	(147,629)	
Member's capital	\$ (3,251)	\$ -	

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

(d) During 2003, as part of a financing transaction with the School of Medicine and Realty Corp., the Hospital contributed to MSMCRRC, at net book value, property totaling approximately \$17.4 million. MSMCRRC was incorporated in 2003 under the New York State Not-for-Profit Corporation Law for the sole purpose of supporting its member corporations by managing, maintaining, holding, developing, acquiring or disposing of real property for their benefit. MSMCRRC's members are the Hospital, the School of Medicine, Realty Corp. and MSMC Residential Realty Manager, Inc.

Property and equipment contributed by the Hospital, the School of Medicine and Realty Corp. were utilized by MSMCRRC to secure \$125.0 million in financing from a bank, which was subsequently increased to \$145.0 million as a part of a refinancing during 2006. MSMCRRC paid approximately \$51.3 million in cash to the Hospital. The total amount received by the Hospital was based on the relative fair value of the property contributed, as compared to properties contributed by the School of Medicine and Realty Corp. that were part of the \$125.0 million financing. The amount received in excess of the net book value of the property and equipment transferred (approximately \$33.9 million) was recorded as a deferred gain on transfer of real estate. A gain will only be recognized in the consolidated statements of operations upon the sale of the property and equipment transferred to MSMCRRC to an entity that is not related to the Hospital by common ownership or control.

In 2012 and 2011, MSMCRRC distributed \$60,000 and \$612,000, respectively to the Hospital, which was subsequently distributed to the School of Medicine.

Summarized financial information for MSMCRRC at December 31 is as follows:

	 2012		2011	
	(In Thousands)			
Total assets	\$ 100,581	\$	101,580	
Total liabilities	(149,867)		(149,656)	
Net deficit	\$ (49,286)	\$	(48,076)	

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

Transfers to Affiliates

Transfers to affiliates represent the Hospital's funding of the School of Medicine's community practice plan deficits (approximately \$16.1 million – 2012; \$11.1 million – 2011).

11. Commitments and Contingencies

Litigation

The Hospital is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Hospital management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Hospital's consolidated financial position.

Collective Bargaining Agreements

Approximately 62% of the Hospital's employees are union employees who are covered under the terms of various collective bargaining agreements. There are no collective bargaining agreements that expire within the next year.

Other

The Hospital is self-insured, based on individual employees' elections, for medical, dental and pharmaceutical benefits. The Hospital also is self-insured for unemployment benefits. Liabilities have been accrued at December 31, 2012 and 2011 based on expected future payments pertaining to such years (included in accrued salaries and related liabilities).

Notes to Consolidated Financial Statements (continued)

12. Fair Values of Financial Instruments

For assets and liabilities requiring fair value measurement, the Hospital measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Hospital follows a fair value hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Hospital uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers nonperformance risk in its assessment of fair value.

Financial assets carried at fair value by the Hospital as of December 31, 2012 and 2011 are classified in the table below in one of the three categories described above:

	December 31, 2012							
		Level 1		Level 2	L	evel 3		Total
				(In Th	ousand	(s)		
Cash and cash equivalents	\$	371,433	\$	_	\$	_	\$	371,433
Fixed income:								
U.S. government		96		148,699		_		148,795
Corporate bonds		11,241		120,841		_		132,082
Equities:								
U.S. equities		25,923		_		_		25,923
Non-U.S. equities		, <u> </u>		13,172		_		13,172
-	\$	408,693	\$	282,712	\$	_	\$	691,405

Notes to Consolidated Financial Statements (continued)

12. Fair Values of Financial Instruments (continued)

	December 31, 2011							
		Level 1		Level 2		Level 3		Total
				(In Th	iousa	nds)		
Cash and cash equivalents	\$	285,371	\$	_	\$	_	\$	285,371
Fixed income:								
U.S. government		97		208,111		_		208,208
Corporate bonds		16,776		101,130		_		117,906
Equities:								
U.S. equities		21,915		_		_		21,915
Non-U.S. equities		11,077		_		_		11,077
	\$	335,236	\$	309,241	\$		\$	644,477

The tables above exclude investments reported using the equity method of accounting.

The following is a summary of total investments in the investment pool with restrictions to redeem the investments at the measurement date, any unfunded capital commitments and investments strategies of the investees:

Description of	Carrying	Unfunded	Redemption	Notice	Funds
Investment	Value	Commitments	Frequency	Period	Availability
	(In T	Thousands)			
Hedge funds:					
Long only equity	\$ 59,800	\$ -	Annually/rolling 5 years	30 to 180 days	30 to 60 days
Hedged equity	175,656	_	Quarterly/rolling 3 years	30 to 60 days	15 to 30 days
Long/short credit	62,807	_	Quarterly/annually	90 days	30 to 60 days
Multi-strategy	135,181	_	Quarterly/annually	45 to 60 days	5 to 30 days
Open mandate	242,331	_	Monthly/annually	60 to 180 days	15 to 30 days
Macro	128,287	_	Monthly/quarterly	30 to 90 days	30 days
Real assets	33,291	_	Annual	60 days	30 days
Private					
investments:					
Equity	53,249	10,475	N/A	N/A	N/A
Credit/distressed	123,843	38,583	N/A	N/A	N/A
Real assets	27,375	3,859	N/A	N/A	N/A
	\$ 1,041,820	\$ 52,917			

Notes to Consolidated Financial Statements (continued)

12. Fair Values of Financial Instruments (continued)

The carrying values and fair values of the Hospital's financial instruments that are not required to be carried at fair value at December 31 are as follows:

	2012				2011				
	Fair Value		Carrying Value		Fair Value	(Carrying Value		
	(In Thousands)								
Long-term debt	\$ 462,378	\$	425,971	\$	463,808	\$	447,457		

The fair value of long-term debt is classified as Level 2 in the fair value hierarchy as it uses a combination of quoted market prices and valuation based on current market rates.

13. Medical Residents FICA Tax Refund

In March 2010, the Internal Revenue Service ("IRS") announced that, for periods ending before April 1, 2005, medical residents would be eligible for the student exception of Federal Insurance Contributions Act (FICA) taxes. Under the student exception, FICA taxes do not apply to wages for services performed by students employed by a school, college or university where the student is pursuing a course of study. As a result, the IRS allowed refunds for institutions that filed timely FICA refund claims and provided certain information to meet the requirements of perfection, established by the IRS, for their claims applicable to periods prior to April 1, 2005. Institutions are potentially eligible for medical resident FICA refunds for both the employer and employee portions of FICA taxes paid, plus statutory interest.

The Hospital's appeal for a FICA medical residents refund for the years 1995 through 2005 was approved by the IRS in 2012. As a result of this successful appeal, the Hospital recognized \$21.9 million of revenue in 2012, which is recorded as an other item in the consolidated statement of operations. For the year ended December 31, 2011, the Hospital recorded estimated net revenue of \$278,000 for interest on the claims. The Hospital has recorded a net receivable of approximately \$3.6 million and \$13.4 million included in other assets in the consolidated statement of financial position as of December 31, 2012 and 2011, respectively. These amounts relate to the portion of the refund that is applicable to the Hospital and does not relate to any amounts that may be received on behalf of and due to the medical residents and other health care providers.

Notes to Consolidated Financial Statements (continued)

14. Multiemployer Pension Plans

The Hospital contributes to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Hospital's participation in these plans for the year ended December 31, 2012 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2012 and 2011 is for a plan's year-end at December 31, 2011 and December 31, 2010, respectively. The zone status is based on information that the Hospital received from the plans and is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject. In addition, in July 2009 wage concessions were agreed to by 1199 to offset a portion of the impact of the increase in annual contributions from contributing members.

Notes to Consolidated Financial Statements (continued)

14. Multiemployer Pension Plans (continued)

	EIN	Plan	Pension Pro		FIP/ RP Status Pending/	the H	utions by ospital ousands)	Surcharge	Expiration Date of Collective- Bargaining
Pension Fund	Number	Number	2012	2011	Implemented	2012	2011	Imposed	Agreement
New York State Nurses Association Pension Plan 1199 SEIU Health Care	13-6604799	001	Green as of 1/01/2012	Green as of 1/01/2011	No	\$ 15,460	\$ 14,377	No	01/01/2015
Employees Pension Fund	13-3604862	001	Green as of 1/01/2012 Red as of	Green as of 1/01/2011 Red as of	No	16,629	15,075	No	04/30/2015
Local 32BJ SEIU	13-1879376	001	7/01/2012	7/01/2011	Yes	172	165	No	04/20/2014

The Hospital was listed in the New York State Nurses Association Pension Plan's Forms 5500 as providing more than 5% of the total contributions during each of the plan's 2011 and 2010 plan years. Forms 5500 are not yet available for the plan years ended in 2012.

15. Subsequent Events

For purposes of the accompanying consolidated financial statements, the Hospital has considered for accounting and disclosure events that occurred through March 29, 2013, the date the consolidated financial statements were issued. On February 28, 2013, the Hospital, the School and the Medical Center (collectively "Mount Sinai") entered into a memorandum of understanding with Continuum Health Partners, Inc. (the sole member of the "Continuum Hospitals": Beth Israel Medical Center, The St. Luke's-Roosevelt Hospital Center and the New York Eye and Ear Infirmary) with regard to a proposed transaction pursuant to which Mount Sinai and the Continuum Hospitals will become an integrated health care system and academic medical center. The proposed transaction is subject to the development of definitive agreements, which the parties are in the process of negotiating. There were no other subsequent events or transactions which either resulted in recognition in the accompanying consolidated financial statements or required additional disclosure.

Supplementary Information and Reports of Independent Auditors

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Direct Grants and Contracts U.S. Department of Health and Human Services: Grants to Provide Outpatient Early Intervention Services with Respect to HIV Diseases 93.918 \$351,439 Affordable Care Act (ACA) Grants for School – Based Health Center Capital Expenditures 93.501 18,242 Coordinated Services and Access to Research for Women, Infants, Children, and Youth 93.153 77,323 Subtotal U.S Department of Health and Human Services 97.036 447,004 U.S. Department of Homeland Security Federal Emergency Management Agency: Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 534,428 Subtotal Direct Grants and Contracts 981,432 U.S. Department of Justice Pass—Through Contracts 16.575 72,874 U.S. Department of Justice Pass—Through Contracts 16.575 72,874 U.S. Department of Health and Human Services Pass—Through Contracts 16.575 72,874 U.S. Department of Health and Human Services 93.914 1,360,874 HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.216 57,479 Health Research, Incorporated: HIV Gesearch, Incorporated: HIV Case Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Contracts 44,49,873 44,49,873 45,22,747	Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Diseases Affordable Care Act (ACA) Grants for School – Based Health Center Capital Expenditures Coordinated Services and Access to Research for Women, Infants, Children, and Youth Subtotal U.S Department of Health and Human Services U.S. Department of Homeland Security Federal Emergency Management Agency: Disaster Grants – Public Assistance (Presidentially Declared Disasters) Subtotal Direct Grants and Contracts U.S. Department of Justice Pass—Through Contracts New York State Crime Victims Board: Crime Victim Assistance U.S. Department of Health and Human Services Pass—Through Contracts U.S. Department of Health and Human Services Pass—Through Contracts U.S. Department of Health and Human Services Pass—Through Contracts U.S. Department of Health and Human Services Pass—Through Contracts U.S. Department of Health and Human Services Pass—Through Contracts U.S. Department of Health and Human Services Pass—Through Contracts U.S. Department of Health in New York, Inc.: HIV Emergency Relief Project Grants HIV Earce Formula Grants HIV Emergency Relief Project Grants HIV Care Formula Grants HIV Care Formula Grants HIV Emergency Relief Project Grants HIV Car	Direct Grants and Contracts			
HIV Diseases				
Expenditures	HIV Diseases	93.918	\$ 351,439	
and Youth 93.153 77,323 Subtotal U.S Department of Health and Human Services 447,004 U.S. Department of Homeland Security Federal Emergency Management Agency: 97.036 534,428 Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 534,428 Subtotal Direct Grants and Contracts 981,432 U. S. Department of Justice Pass–Through Contracts 16.575 72,874 New York State Crime Victims Board: 16.575 72,874 C. S. Department of Health and Human Services 8 8 Pass–Through Contracts 93.914 1,360,874 Public Health Solutions: 93.94 93.944 HIV Emergency Relief Project Grants 93.94 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.917 517,872 Medical Assistance Program 93.97 13,964 Preventive Health Services Sexually Transmitted Diseases 93.977 1	Expenditures	93.501	18,242	
U.S. Department of Homeland Security Federal Emergency Management Agency: Disaster Grants – Public Assistance (Presidentially Declared Disasters) V.S. Department of Justice Pass—Through Contracts New York State Crime Victims Board: Crime Victim Assistance U.S. Department of Health and Human Services Pass—Through Contracts V.S. Department of Health and Human Services Pass—Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program New York State Department of Health: Maternal and Child Health Services Block Grant to the States Pass—Through Contracts Preventive Health Services Sexually Transmitted Diseases Preventive		93.153	77,323	
Pederal Emergency Management Agency:	Subtotal U.S Department of Health and Human Services		447,004	
Disaster Grants – Public Assistance (Presidentially Declared Disasters) Subtotal Direct Grants and Contracts U. S. Department of Justice Pass–Through Contracts New York State Crime Victims Board: Crime Victim Assistance 16.575 72,874 U. S. Department of Health and Human Services Pass–Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program National Bioterrorism Hospital Preparedness Program Naternal and Child Health Services Block Grant to the States Preventive Health Services Sexually Transmitted Diseases City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass–Through Contracts 4,449,873 Subtotal Pass-Through Contracts	U.S. Department of Homeland Security			
Subtotal Direct Grants and Contracts U. S. Department of Justice Pass–Through Contracts New York State Crime Victims Board: 16.575 72,874 Crime Victim Assistance 16.575 72,874 U. S. Department of Health and Human Services Pass–Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants 93.914 1,360,874 HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: 93.889 252,050 New York State Department of Health: 93.894 299,051 Family Planning Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: 93.268 1,342,815 Health Research, Incorporated: 93.291 470,765 Research on Health Care Costs, Quality and Outcomes 93.202		07.026	524 429	
U. S. Department of Justice Pass–Through Contracts New York State Crime Victims Board: Crime Victim Assistance 16.575 72,874 U. S. Department of Health and Human Services Pass–Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based 93.940 1,360,874 HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services Medical Assistance Program 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.268 1,342,815 Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes 93.226 Subtotal U.S. Department of Health and Human Services Pass–Through Contracts 4,449,873 Subtotal Pass-Through Contracts		97.036		
New York State Crime Victims Board: Crime Victim Assistance U. S. Department of Health and Human Services Pass—Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program New York State Department of Health: Maternal and Child Health Services Block Grant to the States Preventive Health Services Sexually Transmitted Diseases Preventive Health Services Transmitted Diseases Preventive Health Service			, , ,	
Crime Victim Assistance U. S. Department of Health and Human Services Pass-Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program New York State Department of Health: Maternal and Child Health Services Block Grant to the States Preventive Health Services Preventive Health Services Sexually Transmitted Diseases City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass-Through Contracts Least Services Sexually Transmitted Diseases 4,449,873 Subtotal Pass-Through Contracts				
Pass–Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.268 1,342,815 Health Research, Incorporated: HIV Care Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass–Through Contracts 4,449,873 Subtotal Pass-Through Contracts		16.575	72,874	
Pass–Through Contracts Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.268 1,342,815 Health Research, Incorporated: HIV Care Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass–Through Contracts 4,449,873 Subtotal Pass-Through Contracts	77 G D			
Public Health Solutions: HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes 93.268 Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts				
HIV Emergency Relief Project Grants HIV Prevention Activities Health Department Based 93.940 43,365 Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program 93.889 252,050 New York State Department of Health: Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes 93.268 Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts				
HIV Prevention Activities Health Department Based Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program New York State Department of Health: Maternal and Child Health Services Block Grant to the States Family Planning Services Medical Assistance Program Preventive Health Services Sexually Transmitted Diseases Oity of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts		93.914	1.360.874	
Fund for Public Health in New York, Inc.: National Bioterrorism Hospital Preparedness Program New York State Department of Health: Maternal and Child Health Services Block Grant to the States Family Planning Services Medical Assistance Program Preventive Health Services Sexually Transmitted Diseases City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts Subtotal Pass-Through Contracts 93.889 252,050 93.994 299,051 517,872 93.217 517,872 93.277 93.977 13,964 1,342,815 470,765 57,479 470,765 57,479 440,873 4,449,873 4,449,873				
National Bioterrorism Hospital Preparedness Program New York State Department of Health: Maternal and Child Health Services Block Grant to the States Family Planning Services Medical Assistance Program Medical Assistance Program Preventive Health Services Sexually Transmitted Diseases City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts Subtotal Pass-Through Contracts 252,050 293,889 252,050 93,994 299,051 517,872 93,217 517,872 93,977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93,268 1,342,815 470,765 87,479 440,873 4,449,873 4,449,873			,	
New York State Department of Health: Maternal and Child Health Services Block Grant to the States Family Planning Services 93.217 S17,872 Medical Assistance Program 93.778 Preventive Health Services Sexually Transmitted Diseases Preventive Health Services Preventive Health Preventive Healt	,	93.889	252,050	
Maternal and Child Health Services Block Grant to the States 93.994 299,051 Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.268 1,342,815 Health Research, Incorporated: HIV Care Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747			,,,,,,	
Family Planning Services 93.217 517,872 Medical Assistance Program 93.778 91,638 Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.268 1,342,815 Health Research, Incorporated: HIV Care Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747		93.994	299,051	
Medical Assistance Program Preventive Health Services Sexually Transmitted Diseases Preventive Health Services Sexually Transmitted Diseases Oity of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts Subtotal Pass-Through Contracts 93.778 93.977 470,765 83.917 470,765 84,449,873 4,449,873 4,449,873		93.217		
Preventive Health Services Sexually Transmitted Diseases 93.977 13,964 City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) 93.268 1,342,815 Health Research, Incorporated: HIV Care Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747		93.778		
City of New York Department of Health and Mental Hygiene: Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts Subtotal Pass-Through Contracts 4,449,873 4,522,747		93.977		
Immunization Grants (Non-cash award) Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts Subtotal Pass-Through Contracts 1,342,815 470,765 83.226 57,479 4,449,873 4,449,873 4,449,873			- ,	
Health Research, Incorporated: HIV Care Formula Grants Research on Health Care Costs, Quality and Outcomes Subtotal U.S. Department of Health and Human Services Pass—Through Contracts Subtotal Pass-Through Contracts 4,449,873 4,522,747		93.268	1,342,815	
HIV Care Formula Grants 93.917 470,765 Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass—Through Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747			9 - 9	
Research on Health Care Costs, Quality and Outcomes 93.226 57,479 Subtotal U.S. Department of Health and Human Services Pass–Through Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747		93.917	470.765	
Subtotal U.S. Department of Health and Human Services Pass–Through Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747			,	
Contracts 4,449,873 Subtotal Pass-Through Contracts 4,522,747			, , , ,	
Subtotal Pass-Through Contracts 4,522,747			4,449,873	
	Total Expenditures of Federal Awards		\$ 5,504,179	

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Mount Sinai Hospital (the "Hospital") and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the Hospital's consolidated financial statements.

Awards for reimbursable expenditures involving the U.S. Department of Homeland Security – Federal Emergency Management Agency ("FEMA") are reported by the Hospital on the Schedule in the year that FEMA approves the applicable Award Worksheet, pursuant to guidance issued by the U.S. Department of Homeland Security.

2. Vaccines for Children Program

During the year ended December 31, 2012, the Hospital participated in the New York City Department of Health and Mental Hygiene Vaccines for Children Program (CFDA 93.268) through the provision of vaccinations. The United States Department of Health and Human Services, the Federal agency that sponsors this program, has determined that the vaccines administered are considered "Property in lieu of Money" and, therefore, should be reported as Federal awards received by the Hospital for purposes of presentation in the Schedule.

3. Federal Emergency Management Agency Awards (CFDA 97.036)

The Hospital incurred certain costs in 2011 and 2012 which are or may be reimbursable by FEMA. Costs totaling \$534,428 incurred in 2011 were approved by FEMA in 2012 and are included on the Schedule for the year ended December 31, 2012. The Hospital also incurred certain costs in 2012 which may be reimbursable by FEMA; however, no awards for such costs were approved by FEMA in 2012 and, accordingly, no expenditures are included on the Schedule for the year ended December 31, 2012.



Ernst & Young LLP 5 Times Square

New York, NY 10036-6530

Tel: +1 212 773 3000 Fax: +1 212 773 6350 www.ev.com

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees The Mount Sinai Hospital

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Mount Sinai Hospital (the "Hospital"), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

March 29, 2013



Ernst & Young LLP 5 Times Square

New York, NY 10036-6530

Tel: +1 212 773 3000 Fax: +1 212 773 6350 www.ey.com

Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees The Mount Sinai Hospital

Report on Compliance for Each Major Federal Program

We have audited The Mount Sinai Hospital's (the "Hospital") compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2012. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ernst + Young LLP

September 27, 2013

Schedule of Findings and Questioned Costs

Year Ended December 31, 2012

Part I—Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unmodified, qualified, adverse or disclaimer):	Unmodified, with an emphasis of matter paragraph for a change in accounting principle			
Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified? Noncompliance meterial to financial statements		yes yes	X	no none reported
Noncompliance material to financial statements noted?		yes	X	no
Federal Awards Section				
Internal control over major programs: Material weakness(es) identified? Significant deficiency(ies) identified?		yes yes	X	no none reported
Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse or disclaimer):			Unmodi	fied
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?		yes	X	no

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2012

Part I—Summary of Auditor's Results (continued)

Identification of major programs:

CFDA number(s)	Name of federal program or cluster		
93.914	U.S. Department of Health and Human Services/Passed-through Public Health Solutions/HIV Emergency Relief Project Grants		
93.217	U.S. Department of Health and Human Services/Passed-through New York State Department of Health/Family Planning Services		
97.036	U.S. Department of Homeland Security/Federal Emergency Management Agency/Disaster Grants – Public Assistance (Presidentially Declared Disasters)		
Dollar threshold used to distinguish between Type A and Type B programs: \$\\$300,000\$			
Auditee qualified as low-risk	auditee? <u>X</u> yes <u>no</u>		

Part II—Financial Statement Findings Section

There are no matters that are required to be reported.

Part III—Federal Award Findings and Questioned Costs Section

There are no matters that are required to be reported.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services.

Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity.
Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

